

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 58283

CONCRETE SCHOOL DISTRICT No. 11

Skagit County, Washington

September 1, 1994 Through August 31, 1996

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CONCRETE SCHOOL DISTRICT NO. 11
Skagit County, Washington
September 1, 1994 Through August 31, 1996

**Independent Auditor's Report On Compliance With Laws And Regulations
At The Financial Statement Level (Plus Additional State Compliance
Requirements Per RCW 43.09.260)**

Board of Directors
Concrete School District No. 11
Concrete, Washington

We have audited the general-purpose financial statements, as listed in the table of contents, of Concrete School District No. 11, Skagit County, Washington, as of and for the fiscal years ended August 31, 1996 and 1995, and have issued our report thereon dated April 17, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Concrete School District No. 11 is the responsibility of the district's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the district's compliance with certain provisions of laws, regulations, contracts, and grants.

We also performed additional tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the district complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the district's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the district and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of material noncompliance that are required to be reported herein under *Government Auditing Standards*. However, we noted instances of noncompliance immaterial to the financial statements which are identified in the Schedule of Findings accompanying this report.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

April 17, 1997

CONCRETE SCHOOL DISTRICT NO. 11
Skagit County, Washington
September 1, 1994 Through August 31, 1996

Independent Auditor's Report On Internal Control Structure
At The Financial Statement Level

Board of Directors
Concrete School District No. 11
Concrete, Washington

We have audited the general-purpose financial statements of Concrete School District No. 11, Skagit County, Washington, as of and for the fiscal years ended August 31, 1996 and 1995, and have issued our report thereon dated April 17, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the district is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the district, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The matters involving the internal

control structure and its operation that we consider to be reportable conditions are included in the Schedule of Findings accompanying this report.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described in the Schedule of Findings is a material weakness.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

April 17, 1997

CONCRETE SCHOOL DISTRICT NO. 11
Skagit County, Washington
September 1, 1994 Through August 31, 1996

Schedule Of Findings

1. Concrete School District Should Improve Controls Over Associated Student Body (ASB) Fund Raisers

Our review identified the following concerns in the management of ASB fund raisers at Concrete High School and Concrete Middle School:

- a. Reconciliations of cash received to expected revenue for fund raisers were not consistently performed.
- b. Inventory records were not consistently maintained.
- c. Inventory reconciliations were not consistently calculated accurately.
- d. Differences in the inventory balance between the end of one day and the beginning of the next day were reflected on inventory worksheets but were not explained.
- e. Consistent overages in receipts over expected revenue were reflected on middle school store reconciliations. However, no actions were taken to determine the cause of the problem and correct the overages.
- f. The calculation and distribution of profit from the high school store to the club running the store did not consistently include the costs of all of the items sold.

The *Revised Code of Washington* (RCW) 43.09.200 states:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons.

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction

The Superintendent of Public Instruction's *Accounting Manual For School Districts in the State of Washington* at Chapter III, Section G-1, page 3 states in part:

Internal control systems and all transactions and other significant events are to be clearly documented, and the documentation is to be purposeful and useful to district management in controlling and/or analyzing operations

As a result of the weaknesses cited above, errors and theft could occur and not be detected in a timely manner, if at all.

The district has experienced significant turnover in personnel responsible for ASB activities, receipting, and monitoring. In 1996, the district provided training to its personnel on the appropriate procedures for management of ASB fund-raising. As a result of this training, a number of changes and new procedures were implemented which partially corrected the weaknesses noted.

We recommend the district work to strengthen their internal controls, maintain all records, and properly perform and review reconciliations of expected revenues to actual cash received.

Auditee's Response

During our recent audit exit conference, the District was made aware of a finding which will be included within the official audit report applicable to cash receipting relative to the ASB and School Store activities. The District acknowledges the areas of deficiency and will work with those responsible in developing a basic and more consistent process to implement within all schools to ensure the deficiencies are corrected and ensure there are adequate internal controls in place which promote accountability.

Auditor's Concluding Remarks

We would like to express our appreciation to Concrete School District for its written response to our audit report. Based upon the district's representations, it appears that the matters delineated in our report have been, or are being addressed. We would also like to take this opportunity to thank the staff throughout Concrete School District for their assistance and cooperation during the audit process.

CONCRETE SCHOOL DISTRICT NO. 11
Skagit County, Washington
September 1, 1994 Through August 31, 1996

Independent Auditor's Report On Financial Statements

Board of Directors
Concrete School District No. 11
Concrete, Washington

We have audited the accompanying general-purpose financial statements of Concrete School District No. 11, Skagit County, Washington, as of and for the fiscal years ended August 31, 1996 and 1995. These financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the general fixed asset account group, which should be included in order to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, except for the effect on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Concrete School District No. 11 as of August 31, 1996 and 1995, and the results of operations for the fiscal years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 17, 1997, on our consideration of the district's internal control structure and a report dated April 17, 1997, on its compliance with laws and regulations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

April 17, 1997

CONCRETE SCHOOL DISTRICT NO. 11
Skagit County, Washington
September 1, 1994 Through August 31, 1996

Independent Auditor's Report On Supplementary Information
Schedule Of Federal Financial Assistance

Board of Directors
Concrete School District No. 11
Concrete, Washington

We have audited the general-purpose financial statements of Concrete School District No. 11, Skagit County, Washington, as of and for the fiscal years ended August 31, 1996 and 1995, and have issued our report thereon dated April 17, 1997. These financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of Concrete School District No. 11 taken as a whole. The accompanying Schedules of Federal Financial Assistance are presented for purposes of additional analysis and are not a required part of the financial statements. The information in the schedules has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

BRIAN SONNTAG, CGFM
STATE AUDITOR

April 17, 1997

CONCRETE SCHOOL DISTRICT NO. 11
Skagit County, Washington
September 1, 1994 Through August 31, 1996

**Independent Auditor's Report On Compliance With The General Requirements
Applicable To Federal Financial Assistance Programs**

Board of Directors
Concrete School District No. 11
Concrete, Washington

We have audited the general-purpose financial statements of Concrete School District No. 11, Skagit County, Washington, as of and for the fiscal years ended August 31, 1996 and 1995, and have issued our report thereon dated April 17, 1997.

We have applied procedures to test the district's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedules of Federal Financial Assistance, for the fiscal years ended August 31, 1996 and 1995:

- Political activity
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Administrative requirements

The following requirements were determined to be not applicable to its federal financial assistance program:

- Davis-Bacon Act
- Relocation assistance and real property acquisition
- Drug-Free Workplace Act
- Subrecipient monitoring

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's (OMB) *Compliance Supplement for Single Audits of State and Local Governments* or alternative procedures. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the district's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the district had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

April 17, 1997

CONCRETE SCHOOL DISTRICT NO. 11
Skagit County, Washington
September 1, 1994 Through August 31, 1996

Independent Auditor's Report On Compliance With Specific Requirements
Applicable To Nonmajor Federal Financial Assistance Program Transactions

Board of Directors
Concrete School District No. 11
Concrete, Washington

We have audited the general-purpose financial statements of Concrete School District No. 11, Skagit County, Washington, as of and for the fiscal years ended August 31, 1996 and 1995, and have issued our report thereon dated April 17, 1997.

In connection with our audit of the financial statements of the district and with our consideration of the district's control structure used to administer its federal financial assistance programs, as required by OMB Circular A-128, *Audits of State and Local Governments*, we selected certain transactions applicable to its nonmajor federal financial assistance programs for the fiscal years ended August 31, 1996 and 1995. As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing allowability of the program expenditures, eligibility of the individuals or groups to whom the district provides federal financial assistance, and obligation of federal funds during the period of availability that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the district's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to the items not tested, nothing came to our attention that caused us to believe that Concrete School District No. 11 had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

April 17, 1997

CONCRETE SCHOOL DISTRICT NO. 11
Skagit County, Washington
September 1, 1994 Through August 31, 1996

**Independent Auditor's Report On Internal Control Structure Used In
Administering Federal Financial Assistance Programs**

Board of Directors
Concrete School District No. 11
Concrete, Washington

We have audited the general-purpose financial statements of Concrete School District No. 11, Skagit County, Washington, as of and for the fiscal years ended August 31, 1996 and 1995, and have issued our report thereon dated April 17, 1997.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit, we considered the district's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated April 17, 1997.

The management of the district is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.
- Federal financial assistance programs are managed in compliance with applicable laws and regulations.

Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the

structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

- **Accounting Controls**
 - Cash receipts
 - Payroll
 - General ledger
- **General Requirements**
 - Political activity
 - Civil rights
 - Cash management
 - Federal financial reports
 - Allowable costs/cost principles
 - Administrative requirements
- **Specific Requirements**
 - Types of services
 - Eligibility
 - Matching, level of effort, earmarking
 - Reporting
 - Special requirements
- **Claims For Reimbursements**

For all of the applicable internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

The following internal control structure categories were determined to be insignificant to federal financial assistance programs:

- **Accounting Controls**
 - Cash disbursements
 - Receivables
 - Accounts payable
 - Purchasing and receiving
 - Inventory control
 - Property, plant, and equipment
- **General Requirements**
 - Davis-Bacon Act
 - Relocation assistance and real property acquisition
 - Drug-Free Workplace Act
 - Subrecipient monitoring
- **Claims For Advances**
- **Amounts Claimed Or Used For Matching**

During the fiscal years ended August 31, 1996 and 1995, the district had no major federal financial assistance programs and expended 68 and 61 percent, respectively, of its total federal financial assistance under the following nonmajor federal financial assistance programs: ECIA Title 1 (CFDA 84.010) and School Lunch Program (CFDA 10.555).

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to the aforementioned nonmajor programs. Our procedures were less in scope than would be necessary to render an opinion on these internal control structures policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses, as defined above.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

April 17, 1997

CONCRETE SCHOOL DISTRICT NO. 11
Skagit County, Washington
September 1, 1994 Through August 31, 1996

Status Of Prior Findings

The findings included in the prior audit report were resolved as follows:

1. The District Should Improve Internal Controls Over Assets And Should Make Deposits On A Timely Basis

Resolution: Our review found improvement in controls over cash handling.

2. The District Should Receive Appropriate Payment For All Meals Served

Resolution: Our review found the district has implemented procedures to ensure all adult lunches have been paid for.